

Message Text

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TAGS: EGEN, EFIN, AR

SUBJECT: CHASE MANHATTAN SITUATION; GOA RELATIONS WITH IMF;
AND FOREIGN INVESTMENT REGULATIONS

REF: (A) STATE 030716, (B) BUENOS AIRES 0932, (C) BUENOS AIRES 1023

1. EMBOFF DISCUSSED ABOVE SUBJECTS TODAY WITH JORGE HECTOR BENALCAZAR, NEWLY APPOINTED DEPUTY SECRETARY FOR PROGRAMMING AND COORDINATION, MINISTRY OF ECONOMY. MR. REYNALDO FELIX BAJRAJ, NATIONAL DIRECTOR OF EXTERNAL ECONOMIC & FINANCIAL POLICY, ALSO ATTENDED THE MEETING.

2. CHASE MANHATTAN SITUATION:

BENALCZAR SAID TWO DECREES ON CHASE, SIGNED BY ECONOMS MINISTER AND PRESIDENT PERON, PRESENTLY IN OFFICE CENTRAL BANK PRESIDENT EDUARDO ZALDUENDO. ONE DECREE ESTABLISHES COMPENSATION VALUE FOR CHASE'S SUBSIDIARY, BANCO ARGENTINO DE COMERCIO, AS OF APR. 30, 1974. SECOND DECREE PROVIDES FOR INFLATION ADJUSTMENT. BENALCAZAR SAID A THIRD DECREE,
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PROVIDING FOR CHASE'S NEW INVESTMENT BANK IN ARGENTINA, STILL

IN MINISTRY OF ECONOMY. ACCORDING TO BENALCAZAR, THAT DECREE WILL BE SIGNED BY MINISTER MONDELLI SHORTLY AND DECREE LAW PRESENTED TO CONGRESS NEXT WEEK. (IT NOW APPEARS SPECIAL SESSION OF CONGRESS WILL BE RECONVENED.) BENALCAZAR SAID HE SORRY HE NOT YET ABLE PROVIDE EMBASSY WITH COPIES OF DECREES.

3. RELATIONS WITH IMF:

BAJRAJ CONFIRMED MINISTER MONDELLI RECENTLY ASKED IMF FOR NEW CREDITS, INCLUDING FIRST TRANCHE, OIL FACILITY AND EXPORT COMPENSATION. HE CONTINUED SMALL IMF MISSION HEADED BY JACK GUNTHER SCHEDULED TO VISIT ARGENTINA NEXT WEEK TO DISCUSS ECONOMIC SITUATION AND NEW CREDITS.

4. FOREIGN INVESTMENT REGULATION

IN RESPONSE TO MY QUESTION, BAJRAJ SAID MONDELLI'S RECENT COMMENTS REGARDING FOREIGN INVESTMENT REGULATION (SEE REFTEL B) DID NOT IMPLY MAJOR SHIFT IN GOA POLICY TOWARD FOREIGN INVESTMENT. BAJRAJ SAID GOA DID PLAN IMPLEMENT NEW DECREE TO ADJUST CERTAIN SECTIONS OF PRESENT FOREIGN INVESTMENT REGULATION WHICH CAUSING CONFUSION AND HAMPERING BUSINESS ACTIVITY.

5. PERSONNEL

BENALCAZAR CONFIRMED JAVIER VILLANUEVA APPOINTED NEW ARGENTINE AMBASSADOR TO EEC. HE ALSO CONFIRMED RAUL JORGE COSTANTINI, ONLY RECENTLY APPOINTED SECRETARY OF PLANNING AND COORDINATION TO REPLACE GUIDO DI TELLA, HAD RESIGNED FOR HEALTH REASONS. NO REPLACEMENT FOR COSTANTINI YET ANNOUNCED.

6. COMMENT:

DURING CONVERSATION, BENALCAZAR MADE SEVERAL COMMENTS SUGGESTING GOA NOT FULLY SATISFIED WITH CHASE'S COOPERATION ON OUTSTANDING INVESTMENT/FINANCIAL PROBLEMS. IN THIS ATMOSPHERE, BELIEVE GOA MAY BE HOLDING UP DECREES TO LIMITED OFFICIAL USE

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INCREASE ITS BARGAINING POSITION WITH CHASE. CHASE VICE PRESIDENT MASON'S VISIT NEXT WEEK COULD BE CRUCIAL TO FINAL RESOLUTION OF PROBLEM.
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